



## **PLANNING COMMISSION MEETING**

**July 20, 2005 – 6:00 PM**

**COUNCIL CHAMBERS  
7<sup>th</sup> Floor**

### **AGENDA**

1. CALL TO ORDER
2. ROLL CALL
3. MINUTES: June 15, 2005
4. CORRESPONDENCE RECEIVED:
5. AUDIENCE COMMENTS:
6. COMMISSIONER COMMENTS:
7. POLICY/CODE STUDY SESSION:
  - a. Highlands Sub-Area Plan Discussion: Review of Heartland LLC Assessment
8. DELIBERATION/RECOMMENDATION:
9. AUDIENCE COMMENT:
10. COMMISSIONER COMMENTS:
11. ADJOURNMENT:



# Renton Highlands Sub-Area Heartland LLC Assessment

July 7, 2005

## SCOPE & METHODOLOGY

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Heartland LLC was engaged by the City of Renton to assist with an evaluation of the existing residentially-zoned land within the Highlands Neighborhood and to develop strategies that will encourage more redevelopment than has been occurring in the area, possibly at higher densities.

The City's goal for this study is to understand the forces that are influencing residential development primarily within the R-10 zone. Recognizing that development is not being undertaken that maximizes the redevelopment potential within the Highlands Neighborhood, Heartland set out to complete the following general tasks:

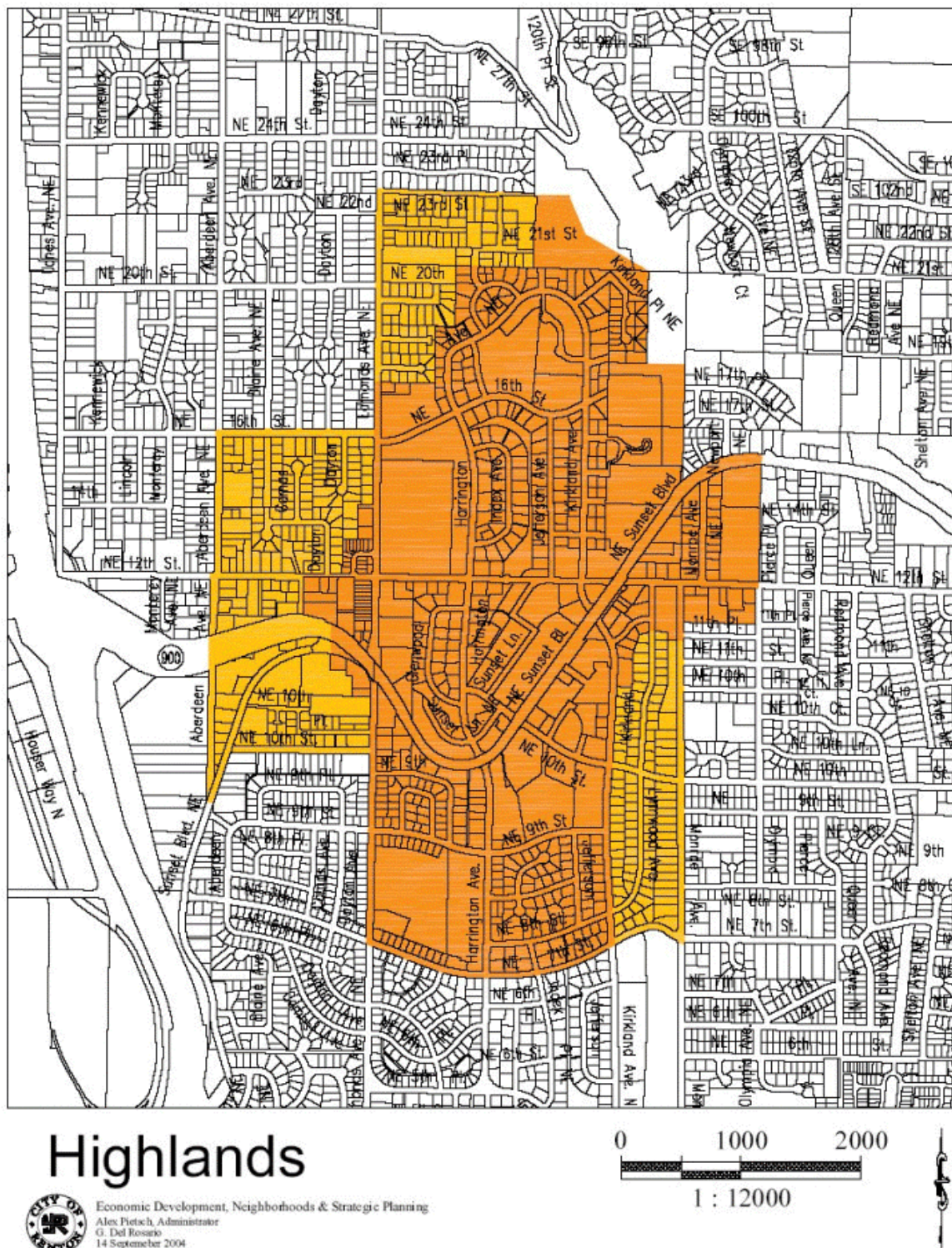
1. Outline market conditions within the Neighborhood;
2. Differentiate between market forces and regulatory influences on existing and future development;
3. Test the financial feasibility of residential redevelopment in the Highlands; and
4. Identify a range of strategies to encourage redevelopment.

In addition to the residential market and financial analysis, Heartland retained Hebert Research to:

1. Evaluate retail market conditions within the Hi-lands Shopping Center and other retail development within the District;
2. Identify current retail rent levels, absorption, and leakage; and
3. Forecast how the retail center might be impacted both by potential redevelopment within the surrounding neighborhood and by significant new retail development within the Renton's Urban Center North (former Boeing properties west of Interstate 405).

This report incorporates both the residential and the retail components of the analysis and concludes with findings and recommendations designed to bring about change within the Highlands Neighborhood.

## SCOPE & METHODOLOGY



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## EXECUTIVE SUMMARY

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### **Introduction**

This report is a part of the analytical foundation for the City of Renton's subarea planning effort in the Highlands. This report contains two interrelated sections: (i) a market analysis; and (ii) a redevelopment analysis that together identify the primary forces that are shaping the evolution of the Highlands. The report concludes with strategies and recommendations for harnessing these market forces to create positive change in the Neighborhood.

The Renton Highlands Neighborhood was largely built during and after World War II to provide housing and services to Boeing's sprawling factory on the shore of Lake Washington. The demands of wartime airplane production and dramatic shifts in the labor force resulted in the construction of housing stock that is utilitarian in nature, and, despite lasting several decades beyond initial expectations, has limited potential for being adapted to suit future generations.

### **Market Analysis**

From a market perspective, the Highlands has two general categories of land uses: commercial and residential. The commercial areas of the Highlands are primarily retail in strip-commercial center along Sunset Boulevard, the main arterial. The residential areas are dominated by duplexes and single-family homes built in the 1940s and the 1950s on 10,000 to 20,000-square-foot lots. There are also numerous existing multi-family structures and several condominiums. Key findings from each of the market analysis are summarized below.

#### *Retail*

Central to the Highlands subarea plan is ensuring that there is a retail shopping center capable of meeting the needs of the area's expanding population and contributing to the economic vitality of the area. The existing Hi-lands Shopping Center is plagued by low sales, vacancies and a lack of shopping choice. The City of Renton has identified redevelopment of this retail center as an important part of the revitalization of the Highlands. Hebert Research of Redmond, Washington prepared a study to evaluate the potential impact of infill residential development upon the Hi-lands Shopping Center and adjacent retail. Hebert also analyzed the potential impacts of the Urban Center North on the long-term viability of Hi-lands Shopping Center. The following summarizes the key findings from the Hebert analysis:

1. The 9.7 acre Hi-lands Shopping Center has 107,000 square feet of rentable area that, without a grocery store or full service drug store is essentially "unanchored" and provides only a fraction of the day-to-day living needs of the immediate neighborhood.
2. This condition sends a message that the market and the center's owner are not anticipating significant improvement in the Highlands neighborhood.

## EXECUTIVE SUMMARY

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3. A model shopping center with a mix of retail uses encompassing 118,000 square feet could be supported by an effective trade area of one mile. The size of the trade area typically matches that of the principal tenant or anchor which, in this example, is a full size grocer.
4. Current retail expenditures within a one-mile radius of Hi-lands Shopping Center will support 192,275 square feet of retail space with no additional development. Current retail spending within one mile of the Hi-lands Shopping Center is sufficient to support 192,275 square feet. When general population growth within a one-mile radius is combined with new infill development properties adjacent to the center, the data indicates that the example shopping center will be capable of expansion and remain viable.
5. More than 60 percent of the potential sales within a one-mile radius is currently “leaking” to retailers outside of the Highlands.
6. The Hi-lands Shopping Center captures 51.3 percent of all retail expenditures occurring within one half mile.
7. Using an estimated minimum number of 520 new units to be constructed within the Study Area, new residential construction would be sufficient to support an expanded retail base of 200,447 square feet. According to the population forecast prepared by Claritas, 345 units could be developed by 2009 within one-half mile of the shopping center and 845 units could be developed within one mile of the shopping center.
8. Overall, this analysis concludes that, conservatively, portions of the Highlands could absorb 345 new units within one-half mile and 175 units within the one-mile radius or 104 units per year for a 5 year period.
9. The construction of 520 new infill units within the Study Area (approximated with the one-mile radius) could be expected to increase retail sales by \$2.5 million, holding leakage and absorption rates constant. This increase will raise total sales to \$54.6 million. The retail sales increase will support an additional 8,171 square feet of retail, increasing the total retail square footage within the primary trade area of one-mile to 200,447. Increased choice and competitive pricing in a revitalized shopping center, such as the example center used for this study, would reduce leakage and improve absorption. Under these conditions, even more square footage could be supported within the 0-1 mile effective trade area.

## EXECUTIVE SUMMARY

<b>Retail Trade Estimate Calculation</b>	
Population Increase From New Development	1,144
Total Increase in Retail Spending From New Development	\$2.5M
Current Square Footage Supported 0-1 Mile (Rounded)	192,275
Additional Square Footage Supported 0-1 Mile (Rounded)	8,171
Total Projected Square Footage 0-1 Mile (Rounded)	200,447

### *Urban Center-North (UC-N)*

10. Studies have shown that in their first few years big box retail chains generally stimulate an initial growth in total retail sales of about 50 percent. This is an aggregate increase and is due solely to revenues generated by the big box outlets. Sales by smaller local retailers tend to decline during the same period.
11. Prevailing thinking among analysts is that surrounding retail outlets are immediately affected by big box retail. It is estimated that, in general, sales drop by 2 percent in the first year and an additional 3.4 percent per year over the next 10 years. These estimates are from studies of the effects of big box on other retailers only. Not surprisingly, when big box development is accompanied by the construction of a large amount of retail shop space, local retail outlets are more highly impacted and local sales could be expected to decline at even faster rates.
12. Despite the difficulty in quantifying the potential impact of the UC-N on the Hi-lands, retailers and developers continue to see this aging center as an opportunity. While it stands to reason that some types of retail tenants and shoppers would be more attracted to the UC-N than the Hi-lands, we expect that the Hi-lands will redevelop in the near-term with a focus on the provision of basic goods and services, and that the UCN will succeed as a location for large format and destination retailers.

### *Residential*

The residential market analysis focuses on the supply and demand for new and resales of single-family detached housing as well as new townhome and other attached housing. The Highlands study area with one-half mile of the Hi-lands Shopping Center now has a mixed housing stock characterized by duplex and single-family development that is generally priced below housing in the greater Highlands, City of Renton, and King County. The data presented paints an overall picture of the study area as a pocket of low density, low-priced, mid-century housing. Single-family homes sold in the study area had a median value of \$233,000, but homes built prior to 1950 had a value of \$186,000. King County average sale was \$322,000. This information is relevant to an analysis of the financial feasibility of residential redevelopment in the Highlands because it provides a context to understand why townhouse development will be an increasingly viable alternative to new single-family in this area.

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## EXECUTIVE SUMMARY

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Due to the age and condition of the existing housing stock in the Highlands neighborhood, the market value of homes generally is lower than the value needed to stimulate redevelopment of existing properties or the value needed to create new infill properties. The housing prototype analysis presented in the financial analysis section of this report (Scenario 3, Detached Housing Existing Zoning and Scenario 4, Detached Housing New Assumptions) show that home sales prices would need to increase to \$350,000, total project cost reduced to \$113 per square foot and land cost reduced to \$200,000 for single family development to be attractive.

For the townhouse prototype (Scenario 2 Table F4), the financial analysis shows that 1,400 square foot units would sell for \$273,000 with a cost of \$195 per square foot and a land acquisition cost of \$40,000 per unit.

The market value of townhomes is well within the range of both single family and townhome sales within the existing Highlands Study Area.

The following points summarize the key findings from the residential market analysis:

1. With a median 2004 home sale price of \$233,000, the one-half mile Study Area is a pocket of significantly depressed home values as compared to the City of Renton (\$285,000), the greater Highlands submarket (\$297,000) and King County (\$322,000).
2. The age of the housing stock within the Study Area contributes significantly to the reduced sale prices. According to the assessor's database, 84 percent of the single-family homes within the Study Area were built before 1970. The median 2004 sale price of single-family homes built before 1950 is \$186,475, compared with the median for all housing (\$233,000).
3. Multi-family properties (primarily duplexes) sell for only slightly more than single-family houses of a similar age. The data confirms the general assessment that these properties are in poor condition.
4. The average lot size for homes built before 1970 is approximately 10,500 square feet.
5. The Study Area has seen very little new construction over the last few years.
6. The depressed values and low-density nature of the Study Area will make this a prime infill development area in the years to come providing zoning regulations are supportive of higher density.
7. The median price for new townhomes, built and sold in 2000 or after, in the Renton Highlands Eastside and Benson submarkets is \$256,000 or roughly \$50-\$70,000 less than single-family homes of the same age.



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## EXECUTIVE SUMMARY

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8. Townhomes and stacked-flat condominiums will increasingly become the only new, market-rate construction that is priced within the range of families earning the median income.
9. The greater Highlands submarket is an area of transition between the more expensive housing in the Eastside/South submarket of the north (Bellevue, Newcastle), and less expensive “Southend”-oriented submarkets of the south (Kent, Auburn).

### **Financial Analysis**

The Financial Analysis section of this report analyzes townhouse, single-family and stacked-flat development scenarios under existing and new development standards.

The feasibility of each development scenario was analyzed with a discounted cash flow (DCF) model similar to those used by developers when they are considering a new project. The model brings together all of the anticipated income and expenses for a project based on the most likely timing of each. The results of a typical cash flow model describe the financial performance of a project in terms that can be compared to other opportunities available to the investor.

#### *Financial Analysis Conclusions*

1. One of the primary obstacles to redevelopment in the Highlands in decades past has been the low-density zoning. The redevelopment analysis illustrates, from the landowner’s perspective, that the rent generated by dilapidated duplex units is financially more attractive than redevelopment under current standards.
2. Typically, infill development is scattered throughout an area resulting in only incremental, localized revitalization and reinvestment. In the Highlands, however, the concentration of 1940s low-density duplexes in poor condition that has historically been a disincentive for redevelopment could be a significant asset to building momentum for significant new infill development in the Highlands.
3. Quality townhouse projects at a density of approximately 25 to 30 units per acre are financially feasible, and will attract couples, professional singles and young families to the Highlands.
4. Single-family detached housing on infill sites within the Highlands would be less attractive to a developer/investor than townhome projects under the prototype development standards. Overall, home sale prices are not high enough to overcome the costs of acquiring an existing income property (even in poor condition) and redeveloping it with quality small lot single-family homes.

## EXECUTIVE SUMMARY

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5. Depending on site specific attributes, mid-rise (5 stories) apartments and condominiums are not currently feasible; however, they are close to being financially feasible and increases in rents and continuing upward pressure on sale prices will make these types of projects feasible within the next few years.

# MARKET ANALYSIS

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## RETAIL MARKET ANALYSIS

### Background

The City of Renton is currently analyzing the land use regulations and real estate economics in the Highlands area in an effort to identify strategies that will improve residential and commercial redevelopment. The 140-acre development area is highlighted on the map on page two of this report.

Central to the redevelopment plan is the establishment of a retail shopping center capable of meeting the needs of the area's expanding population and contributing to the economic vitality of the area. The existing Hi-lands Shopping Center is plagued by low sales, vacancies and a lack of shopping choice. The City of Renton has identified redevelopment of this retail center as an important part of the revitalization of the Highlands. As part of that effort, the City has commissioned a study to evaluate the potential impact of neighborhood medium density infill residential development upon the shopping center and adjacent retail.

### *Research Objectives*

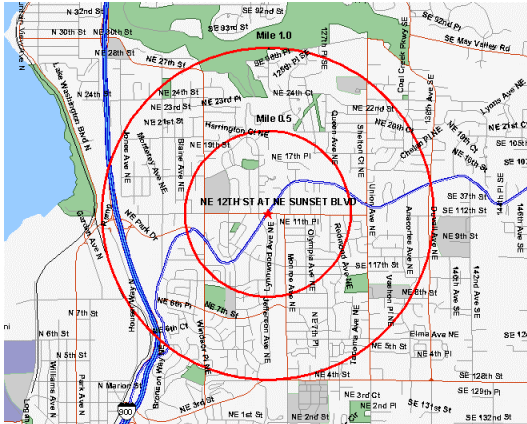
The following objectives were addressed in conducting research for the City of Renton:

- Assess retail market conditions for Hi-lands Shopping Center and the surrounding area;
- Estimate local retail absorption and leakage rates;
- Estimate how planned residential development will impact Hi-lands Shopping Center in terms of sales and retail mix;
- Identify existing and future retail activity in the area and assess the potential impact of these activities upon the Hi-lands Shopping Center; and
- Estimate the potential impact of retail development at the Urban Center North.

# MARKET ANALYSIS

## Methodology

Secondary methods were used throughout the study to collect demographic income and economic data. Data was collected within a three-mile radius of Hi-lands Shopping Center at NE 12<sup>th</sup> Street & NE Sunset Boulevard using concentric circles of one-half, one and three miles.



Claritas Inc. was the primary source of demographic and retail data. Average retail size and sales per square foot data was obtained from Newspaper Association of America ad budgeting estimates, the Urban Land Institute, “Dollars and Cents of Shopping Centers,” and BizStats.com. Demographic, retail sales, consumer expenditure data, and absorption and leakage rate estimates were determined by comparing area sales with consumer expenditures. The differences between these two variables are defined as the retail capture (absorption) and leakage rates.

## Neighborhood Shopping Centers

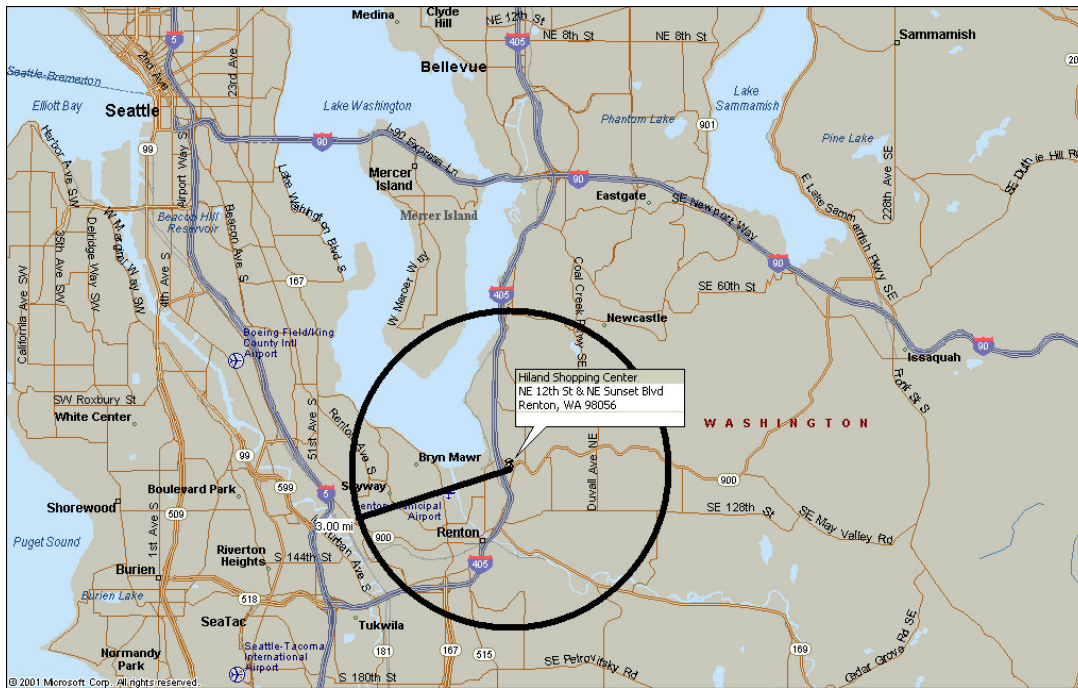
### Definition

Neighborhood shopping centers provide for sale of convenience goods (foods, drugs and sundries) and personal services (laundry, dry cleaning, barbering, shoe repair, etc.) for the day-to-day living needs of the immediate neighborhood. Neighborhood shopping centers are usually built around a supermarket as the principal tenant. In theory, the neighborhood center has a gross leaseable area (GLA) of 60,000 square feet. In practice, the center may range in size from 30,000 square feet to 100,000 square feet or more.

### The Hi-lands Shopping Center

Located at the intersection of NE Sunset Boulevard and NE 12<sup>th</sup> Street, the Hi-lands Shopping Center consists for a 7.4-acre parcel on the eastern side of Sunset Lane and a 2.3-acre parcel on the western side of Sunset Lane. Currently, the Center contains approximately 107,000 square feet of rentable area. The largest tenants in the Center include Dollar Tree (19,872 square feet), Hancock Fabrics (9,788 square feet) and One Man Ministry (12,498 square feet). The owner is currently marketing the Hancock Fabric space for lease and available as of September 2005. The remaining tenants in the Center provide a range of goods and services including barbershops, a drugstore and an insurance agent. When Hancock Fabrics moves out, the center will be 21 percent vacant. Without a grocery store or full service drugstore, the Center is essentially “unanchored” and provides only a fraction of the day-to-day living needs of the immediate neighborhood. This condition of the Hi-lands Shopping Center send a key message that the market is not anticipating significant improvements in the Highlands Neighborhood.

# MARKET ANALYSIS



## *Shopping Center Example*

An example of the type of center that could be placed at the existing site is presented below. This hypothetical facility is shown in the following table. This hypothetical center is composed of 11 outlets with a medium-sized supermarket or food store as the anchor tenant. The types of outlets in the example are characteristic of a typical neighborhood shopping center configuration. They also reflect the types of outlets rated as most desirable in the recent City of Renton preference survey.

The effective trade area is one mile for a center with a medium sized grocery store as an anchor and a medium-sized hardware store serving as the second major tenant of co-anchor<sup>1</sup>. The total footage in the example center is 118,120 square feet. The drawing radius of the center's anchor determines the effective trade area. The normal drawing radius of a mid-sized supermarket is one mile however; every shopping center location is different. At the Hi-lands, some retailers see the Sunset Hill and Interstate 405 as the western boundary of the primary trade area. Others have indicated that they see the Hi-lands as a Center that can draw from a larger area to the north and west because of the limited supply of new shopping centers in those mostly residential areas. As shown in the table below, a total of \$29 million dollars in sales annually would be required to support a center of this size and configuration.

<sup>1</sup> Drug stores frequently serve as second major tenant in this type of center.

## MARKET ANALYSIS

Neighborhood Shopping Center Example			
Type of Outlet	Square Feet	Sales Per Sq Ft	Total Revenues
Food Store	57,000	\$311.72	\$17,768,040
Bank	1,672	\$122.00	\$203,984
Beauty Parlor	1,300	\$127.68	\$165,984
Barber Shop	1,300	\$127.68	\$165,984
Hardware	35,000	\$130.63	\$4,572,050
Apparel	3,091	\$167.23	\$516,908
Restaurant	1,810	\$369.00	\$667,890
Dry Cleaning	1,207	\$172.00	\$207,604
Book Store	2,287	\$172.30	\$394,050
Drug Store	11,153	\$247.29	\$2,758,025
Liquor Store	3,000	\$550.00	\$1,650,000
<b>Totals</b>	<b>118,820</b>	<b>\$2497.53</b>	<b>\$29,070,519</b>

### Trade Area Demographics

#### *Population*

A total of 5,592 persons live within one-half mile radius of Hi-lands Shopping Center. Population grows to more than 19,000 within a mile and over 77,000 within 3 miles. There are 2,509 households within a radius of one-half mile, 8,433 within a one-mile radius and more than 32,000 within a three-mile radius.

Estimated 2004 Population			
	0 - .5	.5 - 1	1 -3
Population	5,592	14,117	57,571
Households	2,509	5,924	23,915
Median Age	38.4	33.8	37.4

By 2009 the population within a one-half mile radius is expected to grow to more than 6,000. There will be 2,844 households and the median age is expected to increase from 38.4 years to 39.3 years. Comparable increases are forecast in the one-mile radius and the one-to-three mile radius. It is important to note that Claritas's forecast of 2009 population growth assumes existing land use and therefore does not include increased land capacity that might result from significant zone changes within the Study Area.

Forecasted 2009 Population			
	0 - .5	.5 - 1	1 -3
Population	6,352	16,084	61,973
Households	2,844	6,758	25,825
Median Age	39.3	34.2	38.0

## MARKET ANALYSIS

Forecasted 2009 Unit Growth			
	0 - .5	.5 - 1	1 -3
Population Increase	760	1,967	4,402
Units	345	894	2,000
Family Size	2.2	2.2	2.2

### *Income*

Average household effective buying income (income after taxes) is \$41,102 within a one-half mile radius of Hi-lands Shopping Center. Effective buying income increases as the geographic radius increases. Average effective buying income within the half mile to one-mile radius is \$50,998 and \$59,027 within the one to three-mile radius.

Estimated 2004 Income			
	0 - .5	.5 - 1	1 -3
Aggregate HH Income	\$137,681,392	\$397,065,803	\$1,597,156,267
Median HH Effective Buying Income	\$33,910	\$43,424	\$46,799
Average HH Effective Buying Income	\$41,102	\$50,998	\$59,027
Per Capita Income	\$22,502	\$26,108	\$29,955

Average effective buying income within a one-half mile radius will grow to \$43,236 by 2009. Average effective buying income within the one-half mile to one-mile radius will increase to \$55,338 and to \$65,581 within the one mile to three-miles radius.

Forecasted 2009 Income			
	0 - .5	.5 - 1	1 -3
Aggregate HH Income	\$148,360,498	\$456,263,282	\$1,999,556,525
Median HH Effective Buying Income	\$35,159	\$45,598	\$49,189
Average HH Effective Buying Income	\$43,236	\$55,338	\$63,581
Per Capita Income	\$23,749	\$28,448	\$32,523

### *Educational Attainment*

Roughly 33 percent of the residents 25 years of age or older living within one-half mile radius of the site have an associates degree or higher. Almost 56 percent of the residents within a one-half to one mile radius have associates degrees or higher. The ratio drops slightly within the one to three-mile radius to 48 percent.

## MARKET ANALYSIS

Educational Attainment 2004			
	0 - .5	.5 - 1	1 -3
No Schooling	54	102	586
No High School Diploma	111	285	1215
High School Graduate	1275	2329	9261
Some College	718	1724	6877
Associate Degree	215	791	3298
Bachelor's Degree	621	2226	9793
Master's Degree	166	354	2701
Professional Degree	23	103	570
Doctorate Degree	7	55	305

The above levels of educational attainment suggest a mixture of blue collar and professional residents. The retail configuration shown in the Center example offers a range of goods and services that will more than adequately meet the convenience shopping needs of this population.

### Retail Market Conditions

#### *Establishments*

There are 41 retail and service establishments within one-half mile of Hi-lands Shopping Center that are directly competitive with the shopping center example shown earlier in this report. These establishments include outlets that are currently located in Hi-lands Shopping Center. There are 273 establishments within one to three miles of Hi-lands Shopping Center.

Retail Establishments			
Type of Outlet	0 - .5 mile	.5 - 1 mile	1 -3 miles
Food Store	10	5	44
Beauty Parlor	9	4	50
Barber Shop	1	1	7
Apparel	2	3	16
Hardware	0	1	1
Eating & Drinking Places	11	13	122
Book Store	0	0	3
Dry Cleaning	5	2	20
Drug Store	2	1	7
Liquor Store	1	0	3
<b>Totals</b>	<b>41</b>	<b>30</b>	<b>273</b>

#### *Retail Sales*

The current retail sales of the 41 establishments, within one-half mile radius are more than \$19 million. Food stores and drugs account for more than 84 percent of the sales activity. Retail sales within one-half to one mile of Hi-lands Shopping Center are currently \$35.2 million. Food store sales are double the amount reported in the 0 to one-half mile radius. Sales with one to



## MARKET ANALYSIS

three miles of Hi-lands Shopping Center are \$163 million. Sixty-five percent of these sales are in food. Hardware, eating and drinking and drugstores are the other major sales areas.

<b>Current Retail Sales</b>			
<b>Type of Outlet</b>	<b>0 - .5 mile</b>	<b>.5 – 1 mile</b>	<b>1 –3 miles</b>
Food Store	\$12,000,000	\$24,000,000	\$112,000,000
Beauty Parlor	\$1,000,000	\$455,000	\$6,000,000
Barber Shop	\$300,000	\$1,100,000	\$1,600,000
Apparel	\$164,643	\$483,908	\$2,217,357
Hardware	\$-	\$3,000,000	\$10,000,000
Eating & Drinking Places	\$900,000	\$800,000	\$10,200,000
Book Store	\$-	\$-	\$625,000
Dry Cleaning	\$198,000	\$438,000	\$750,000
Drug Store	\$4,000,000	\$5,000,000	\$16,000,000
Liquor Store	\$750,000	\$-	\$4,100,000
<b>Totals</b>	<b>\$19,312,643</b>	<b>\$35,276,908</b>	<b>\$163,492,357</b>

### *Current Square Footage Supported*

Current retail sales within a one-mile radius of Hi-lands Shopping Center are sufficient to support a total of 192,275 square feet of retail space.

<b>Current Retail Footage Supported</b>			
<b>Type of Outlet</b>	<b>0 - .5 mile</b>	<b>.5 – 1 mile</b>	<b>1 –3 miles</b>
Food Store	38,496	76,992	359,297
Beauty Parlor	3,689	3,730	49,180
Barber Shop	2,350	8,615	12,531
Apparel	2,444	8,020	39,160
Hardware	-	22,966	76,552
Dry Cleaning	2,679	4,019	53,586
Eating & Drinking Places	5,382	4,784	60,994
Book Store	-	-	1,694
Drug Store	2,031	3,047	40,627
Liquor Store	3,033	-	16,580
<b>Totals</b>	<b>60,104</b>	<b>132,173</b>	<b>710,201</b>

### *Consumer Expenditures*

Consumer expenditures totaled \$37.6 million within one-half mile radius of Hi-lands Shopping Center and \$135 million within a one-mile radius of Hi-lands Shopping Center and \$553 million within a three-mile radius. Food, eating and drinking, drugs, hardware and liquor were the major areas of expenditure.

## MARKET ANALYSIS

Consumer Expenditures			
Type of Outlet	0 - .5 mile	.5 – 1 mile	1 –3 miles
Food Store	\$13,048,525	\$32,677,851	\$137,779,310
Beauty Parlor	\$1,540,850	\$4,256,090	\$19,105,901
Barber Shop	\$661,663	\$1,827,616	\$8,204,301
Hardware	\$3,549,664	\$10,981,585	\$48,797,791
Apparel	\$312,000	\$1,024,600	\$5,000,000
Eating & Drinking Places	\$7,648,865	\$20,965,469	\$88,157,445
Book Store	\$554,712	\$1,690,878	\$7,362,531
Dry Cleaning	\$295,251	\$775,120	\$3,211,524
Drug Store	\$7,867,982	\$17,631,013	\$76,910,493
Liquor Store	\$2,139,483	\$5,601,001	\$23,453,511
<b>Totals</b>	<b>\$37,618,995</b>	<b>\$97,431,223</b>	<b>\$417,982,807</b>

### *Absorption Rates*

Local retail stores captured 51.3 percent of total expenditures with a one-half mile radius, 36.2 percent within one-half to one mile and 39.1 percent within one to three miles. The 10 food outlets within a one-half mile radius of Hi-lands Shopping Center captured 92 percent of local expenditures. Other convenience type outlets, namely beauty parlors, apparel and drug stores also had high capture rates. Bookstore sales and hardware absorbed less than 10 percent of local expenditures.

Absorption Rates			
Type of Outlet	0 - .5 mile	.5 – 1 mile	1 –3 miles
Food Store	92.0%	73.4%	81.3%
Beauty Parlor	64.9%	10.7%	31.4%
Barber Shop	45.3%	60.2%	19.5%
Apparel	52.8%	47.2%	44.3%
Hardware	0.0%	27.3%	20.5%
Eating & Drinking Places	11.8%	3.8%	11.6%
Book Store	0.0%	0.0%	8.5%
Dry Cleaning	67.1%	56.5%	23.4%
Drug Store	50.8%	28.4%	20.8%
Liquor Store	35.1%	0.0%	17.5%
<b>Totals</b>			

### *Retail Leakage*

Total consumer expenditure within three miles of the Hi-lands Shopping Center is \$553 million. Retail sales total \$218 million. More than 60% of potential sale are “leaking” to retailers outside the Hi-lands Shopping Center. Retail leakage within one-half mile radius of Hi-lands Shopping Center totals more than \$18 million. Eating and drinking places, drugstores and hardware, food and liquor stores all had leakage of \$1 million or more. This pattern was consistent with radii of one mile and three miles.

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Retail Leakage			
Type of Outlet	0 - .5 mile	.5 – 1 mile	1 –3 miles
Food Store	\$1,048,525	\$8,677,851	\$25,779,310
Beauty Parlor	\$540,850	\$3,801,090	\$13,105,901
Barber Shop	\$361,663	\$727,616	\$6,604,301
Apparel	\$147,357	\$10,497,677	\$46,580,434
Hardware	\$3,549,664	\$7,981,585	\$38,797,791
Eating & Drinking Places	\$6,748,865	\$20,165,469	\$77,957,445
Book Store	\$554,712	\$1,690,878	\$6,737,531
Dry Cleaning	\$97,251	\$337,120	\$2,461,524
Drug Store	\$3,867,982	\$12,631,013	\$60,910,493
Liquor Store	\$1,389,483	\$5,601,001	\$19,353,511
<b>Totals</b>	<b>\$18,306,352</b>	<b>\$72,111,300</b>	<b>\$298,288,241</b>

Reducing leakage require two factors: increasing choice and competitive pricing. Choice involves offering more products and a wider range of products. A broader selection of stores and increases in retail square footage will raise absorption rates and increase square footage.

### Study Area Redevelopment Needed to Support a Revitalized Shopping Center

One of the objectives of this study is understanding the potential impacts that infill residential development may have on the viability of the Hi-lands Shopping Center. The number of infill residential units that may be needed to provide growth in the retail trade area, and additional income to support a retail center, was estimated by reviewing parcel data for each lot within the Study Area provided by the City (see Map on Page 2). The dataset is the same one used by the City of Renton to estimate the amount of redevelopable property within the City for GMA compliance purposes. Of the 800+/- lots within the Study Area (main and secondary), we consider approximately 160 lots to be “redevelopable.” The primary factors driving this determination include the improvement to land value ratio<sup>2</sup>, the year the structure was built and the ownership status (absentee or owner occupied). Approximately 88 percent of the redevelopable parcels were in the main Study Area and roughly 75 percent of those are zoned R-10. All but one of the remaining properties is zoned RM-C. The median year built for the redevelopable properties is 1943 and the median improvement to land value ration is 0.8. Together the redevelopable properties in the Highlands contain roughly 45 acres and the median lot size is approximately 12,000 square feet.

If every “redevelopable” lot in the Highlands were to be redeveloped at a density of 30 units per acre (this would require a significant zone change), then this area would accommodate more than 1,300 new homes. Not every home, however, will redevelop due to market factors.

Based on estimates of forecast growth, we assume that the Study Area will accommodate approximately 345 new residential units within one-half mile of the shopping center, providing

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<sup>2</sup> Calculated as the appraised improvement value (2002) divided by the appraised land value. A ratio of less than 1.0 indicates that the land is worth more than the improvements.

that the R-10 zone is modified to allow significantly higher densities. It is assumed that an additional 175 units will develop within one mile of the shopping center. These units would be expected to occur as a mix of townhouse and single-family units and could occur under existing zoning. This conservative estimate is based on the expectation that less than half of the “redevelopable” land will actually redevelop and that for infill development in the one-mile radius, an absorption rate of 104 units per year over five years is reasonable, based on absorption rates shown in Table R-25 New Townhome Characteristics by Submarket (Appendix page 45).

For simplicity of calculation, the retail impact analysis required a single estimate of growth though it would be more realistic to express the future growth as a range from 345 to 894 units. This 500-unit range reflects the speculative nature of these types of projections.

## Retail Trade Impact

### *Estimated Population Growth Due to New Development Within the Study Area*

If the construction of 520 new units occurs within a one-half mile radius of Hi-lands Shopping Center through redevelopment of existing properties, area population would increase by approximately 1,144 persons, given the current household size of 2.2 persons. The Claritas 2009 Forecast projects a population increase of only 760 persons in the one-half mile radius within the next five years. However, within the effective trade area of one-mile, an additional 1,967 persons population is forecast. The projected new development of 520 units and 1,144 new population is a conservative redevelopment projection, which was within this range of expected growth.

### *Estimated Per Capita Retail Sales<sup>3</sup>*

The following table lists current per capita sales by type of retail outlet. Total per capita sales within one-mile radius of Highlands Shopping Center are estimated at \$2,543 per person. Per capita sales for the one-half mile to one mile and one-mile to three miles radii are shown for comparison purposes.

<b>Estimated Sales Per Capita</b>			
<b>Type of Outlet</b>	<b>0 - .5 mile</b>	<b>.5 – 1 mile</b>	<b>1 –3 miles</b>
Food Store	\$1,973.49	\$1,248.61	\$1,581.42
Beauty Parlor	\$29.32	\$4.74	\$47.60
Barber Shop	\$10.45	\$20.14	\$2.33
Apparel	\$26.31	\$40.64	\$52.93
Hardware	\$-	\$58.54	\$35.60
Eating & Drinking Places	\$18.94	\$2.16	\$20.50
Book Store	\$-	\$-	\$0.92
Dry Cleaning	\$74.20	\$25.19	\$265.02
Drug Store	\$363.65	\$100.44	\$57.84
Liquor Store	\$47.02	\$-	\$12.45
<b>Totals</b>	<b>\$2,543.38</b>	<b>\$1,500.46</b>	<b>\$2076.59</b>

<sup>3</sup> All estimates are in current dollars

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### *The 2009 Retail Trade Estimate*

The 2009 estimate assumes the maximum population growth as identified by the Claritas data table below, population growth within the one-mile radius can be expected to increase retail sales by \$4.7 million. The retail sales increase will support an additional 8,171 square feet of retail, increasing the total retail square footage within the primary trade area of one-mile to 200,447.

<b>2009 Retail Trade Estimate Calculation</b>			
	<b>0 - .5 mile</b>	<b>.5 – 1 mile</b>	<b>Totals</b>
Units Increase From New Development	345	175	520
Population Increase From New Development	759	385	1,144
Estimated Per Capita Retail Spending	\$2543	\$1500	-
Total Increase In Retail Spending from New Development	\$1,930,137	\$577,500	\$2.5M
Current Retail Square Footage Located Within 0-1 Mile	60,104	132,172	192,276
Additional Square Footage 0-1 Mile	6,007	2,164	8,171
Total Projected Square Footage 0-1 Mile	66,111	134,336	200,447

Current retail spending around the Hi-lands Shopping Center is sufficient to support the example shopping center analyzed above. When general population growth within a one-mile radius is combined with new infill development in the R-10 zoned properties adjacent to the center, the data suggests that the example shopping center will be capable of expansion and remain viable.

The analysis holds estimated absorption and leakage rates constant. This is a somewhat conservative assumption since expanded good and services in the area would normally attract additional shoppers, thereby changing absorption and leakage rates.

### **Urban Center North**

Urban Center North, formerly owned by The Boeing Company, is located adjacent to Lake Washington and is within a three-mile radius of the Hi-lands Shopping Center. Although no specific plans have been completed for the redevelopment of the area, the Economic Development Department of the City of Renton has specified the current assumption for development of this site to include: 300,000 square feet of large format retail (big box), 300-500 square feet of other retail (eg. theatre, fitness, small shops, grocery), and 800 mutli-family residential units.

The following table provides data that document the current single-family and townhouse housing markets in King County, the greater Highlands, and the area within one-half mile of the Hi-lands Shopping Center. The single-family data for the Study Area is further broken by the age of housing stock.

The data in this summary table is presented in detail in Table R-1 through R-25 in the appendix. This information demonstrates that the value of single-family and multi-family (condo) properties in the Study Area lags behind the King County median value (\$322,000), the greater

## MARKET ANALYSIS

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Highlands median value (\$297,000) and the City of Renton median value (\$233,000). Median value in the Study Area is \$233,000. In particular, it is clear from the data that the older housing stock is valued at \$186,475, 25% lower than other units in the Study Area. This data is an important indicator that the older housing stock could be available for redevelopment if values for replacement housing are sufficient to make replacement construction economically viable.

The data on new construction value of single-family and townhouse/multi-family condominium units show that median new single-family values are \$273,000 in the Study Area. This value is not high enough to stimulate the replacement of existing older single-family units. The market analysis in this section combined with the financial analysis presented for Scenario 3, Detached Housing Existing Zone and Scenario 4, Detached Housing Prototype Zoning shows that home sale prices would need to be in the range of \$350,000 to make single-family projects viable.

The data for townhouse and multi-family condominium development, however, shows that these unit types are financially feasible. New townhomes in the greater Highlands subarea sell for a median price of \$256,000. Recent projects are selling between \$255,000 and \$292,000. The prototype shown in Table F4 Redevelopment Scenario 2, demonstrates that a townhouse product selling at \$270,000 would be attractive.

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Summary of Tables R-1 through R-25: Residential Sales Data 2004 *See Appendix for Tables*

2004 Median Sales Data	King County	Southeast/Eastside Sub-area	Greater Highlands Sub-area	City of Renton	Study Area .5 mile radius	Study Area 1 mile radius
SF All Units 2003-2004	\$322,000 25% increase from 2003 to 2004 <i>Table R-1</i>	\$449,250  <i>Table R-2</i>	\$297,000 92% of County median  <i>Table R-2</i>	\$285,000  <i>Table R-7</i>	\$233,000 34% increase from 2003 compared to 27% increase citywide <i>Table R-6</i>	
SF New Construction	\$355,083 <i>Table R-3</i>	\$551,000 <i>Table R-3</i>	\$350,450 <i>Table R-3</i>			
SF Pre 1950					\$186,475 25% less than all units in Study Area <i>Table R-11</i>	\$189,900  <i>Table R-12</i>
SF built 1951-1970					\$226,000 <i>Table R-15</i>	\$218,950 <i>Table R-16</i>
SF built 1970-1991					\$259,950 <i>Table R-19</i>	\$250,950 <i>Table R-20</i>
SF built 1991-2004					\$269,900 <i>Table R-21</i>	\$339,970 <i>Table R-22</i>
SF built 2000-2004 Summary			\$312,000 <i>Table R-23</i>	\$310,000 <i>Table R-23</i>	\$273,000 <i>Table R-23</i>	
Condominium All	\$199,500 <i>Table R-4</i>	\$192,950 <i>Table R-4</i>	\$129,000 <i>Table R-4</i>			
Condominium New	\$242,164 <i>Table R-56</i>	\$278,248 <i>Table R-5</i>	\$160,375 <i>Table R-5</i>			
Multi-family (condo) built pre 1950					\$210,00 SF sold for more as of 2001 \$157,000/\$140,000 <i>Table R-13</i>	\$210,00  <i>Table R-14</i>
Multi-family(condo) built 1951-1970					\$386,000 1 property <i>Table R-17</i>	\$386,000 1 property <i>Table R-18</i>
Multi-family (condo) built 1991-2004					None	None
Townhouse built 2000 and after		\$256,000 <i>Table R-24</i>	\$256,000 <i>Table R-24</i>			
2004Townhouse		\$390,000 1 project <i>Table R-25</i>	\$255,000-\$292,000 2 projects <i>Table R-25</i>			

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## FINANCIAL ANALYSIS

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### **Purpose**

This section analyzes townhouse, single-family and stacked-flat development scenarios under existing and new development standards.

### **Methodology**

The feasibility of each development scenario was analyzed with a discounted cash flow (DCF) model similar to those used by developers when they are considering a new project. The model brings together all of the anticipated income and expenses for a project based on the most likely timing of each. The results of a typical cash flow model describe the financial performance of a project in terms that can be compared to other opportunities available to the investor. The section below summarizes the primary model components and the assumptions that influence the results. Hard copies of all of the components of each model are attached.

### *Project Program & Zoning*

The first section of the pro forma estimates the development capacity of a hypothetical site under specific zoning standards. Each scenario uses a 11,136-square-foot lot (96-wide and 116-feet deep), which is commonly found throughout the Highlands. Table F1 below, illustrates the units that would be allowed for a range of lot sizes under the existing R-10 zoning and a prototype townhouse zoning. Despite the fact that the minimum lot size in the R-10 zoning is 2,000 square feet, the maximum density limit of 10 units per acre significantly reduces the property owner's incentive to redevelop. For example, a property owner with a duplex on 11,136-square-foot lot is unable to add a third unit. Townhome developments throughout the Puget Sound, however, are being successfully built at much higher densities. Based on a density limitation of 30 units per acre, which can also be expressed as 1,400 square feet of lot area for each unit, the same 11,000-square-foot lot could accommodate 7.95 townhomes<sup>4</sup>. More detailed analysis of the financial implications for these different zoning standards follow.

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<sup>4</sup> According to City Staff, the Renton Zoning code requires that the density calculation to determine the number of uses allowed on a site round down to the nearest whole number. In this case the actual number of developable units would be 7, which equates to approximately 1,600 square feet of lot area per unit.



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**Table F1: Comparative Density Limitations by Lot Size**

Lot Size	Allowed Units @ 10/DU/Ac. Max	Allowed Units at Max Density of 30/DU/SF of Lot Area/Unit
4,000	0.9	2.9
5,000	1.1	3.6
6,000	1.4	4.3
7,000	1.6	5.0
8,000	1.9	5.7
9,000	2.1	6.4
10,000	2.3	7.1
11,000	2.5	7.9
12,000	2.8	8.6
13,000	3.0	9.3
14,000	3.2	10.0
15,000	3.4	10.7
16,000	3.7	11.4
17,000	3.9	12.1
18,000	4.1	12.9
19,000	4.4	13.6
20,000	4.6	14.3
21,000	4.8	15.0
22,000	5.1	15.7
23,000	5.3	16.4
24,000	5.5	17.1
25,000	5.7	17.9
42,000	9.6	30.0
43,000	9.9	30.7
44,000	10.1	31.4

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Table F2 provides an overview of the basic development standards of the prototype townhouse zone. These general standards are an adaptation of townhouse-oriented zone with which we have familiarity that have proven successful in facilitating infill development. At approximately 30 units per acre, the prototype townhouse zone is significantly more dense than the existing R-10 zoning. In the Highlands, however, most of the existing lots are between 10,000 and 20,000 square feet which would result in moderate-sized projects of 7 to 14 ground related units. Quality ground-related attached housing is, in fact, being built in other markets at densities equal to 1,000 square feet of lot area per unit.

**Table F2: Prototype Townhouse Zoning Standards**

Development Standards		Notes/Comments
Max Bldg. Height	30	Measured to the top of the plate. Additional 5' allowed for roof pitch. Accommodates 3 story townhomes.
Max Density	31	DU/Net AC. = 1DU/1,400 SF of Lot Area
Min Lot Size	1,400	SF
Min Lot Width	None	Market will regulate
Min Lot Depth	None	Market will regulate
Max Lot Coverage	50%	Results in a minimum TH floor plate of 700 GSF
Open Space Req.	200	SF/Unit, can be combined as common open space or separate as private
Min Off Street Pkg. Req.	1	Space/Unit (Enclosed in Garage only) Minimum only, additional parking could be provided as demand by market
Front Yard Setback	7	Feet
Side Yard Setback	5	Feet
Rear Yard Setback	7	Feet. No setback for garages off of an alley.

Source: Heartland LLC

### *Costs*

The second section of the model calculates development cost for the building program being analyzed. Building costs are estimated as a cost per square foot and are broken down between residential space (townhouse or stacked-flat), ground-floor commercial space, under-building parking and underground parking. Since there is no specific design for the project being evaluated, construction costs are approximate and will vary for an actual project. Land acquisition costs are held constant for each scenario to isolate the affects of changes in development standards on the project economics. The land acquisition assumption is \$25 per square foot. For the 11,136-square-foot site included in the model, \$25 per square foot would equal approximately \$280,000 or \$35,000 per unit. Based on the residential market analysis and discussions with recent buyers, \$280,000 is at the high end of the current duplex acquisition range.

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## FINANCIAL ANALYSIS

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### *Revenue*

The third section of the model calculates the revenue generated by the development project. The sale price estimates are the result of the market assessment described above. Because this is a planning exercise intended to inform zoning standards throughout a district, revenue assumptions are averages that represent typical market performance.

### *Financing*

The financing component of the DCF model integrates one or two bank loans depending on the type of project. For condominium or townhouse projects where units are being sold, revenue from unit sales is used to pay off the construction loan. For “income” properties such as an apartment building, a permanent loan or mortgage is used to pay off the construction loan after the project is sufficiently occupied. Typically, construction loans have a slightly higher interest rate and shorter term (12 to 36 months) than permanent financing (20 to 30 years). Equity is the developer’s cash contribution to the development project. Akin to a homebuyer’s down payment, equity requirements can range significantly depending on the relationship between the developer and the lender, but for the purposes of this analysis, we are assuming an equity requirement that ranges from 20 to 40 percent of the total project cost, including the land depending on the maximum loan amount.

### *Performance*

Several standard metrics allow the performance of a development project to be compared to other opportunities available to an investor. The Internal Rate of Return (IRR) is the most common overall measure of an investment, which requires an initial cash investment that is paid back through a series of payments over time. For a real estate development project, an IRR of approximately 20 percent is desirable. The discount rate reflects the amount of risk an investor associates with a particular investment opportunity. Real estate development is generally considered to be a higher risk investment; therefore, a discount rate of 20 percent is typically used. The Net Present Value (NPV) is the discounted value of the cash flow generated by a project. A positive NPV means a project is meeting or exceeding return requirements (as indicated by the discount rate chosen) while a negative NPV is falling short of those expectations. When the IRR equals the Discount Rate, the NPV is zero.

### **Redevelopment Scenarios**

The following section analyzes the details of each redevelopment scenario considered. The narrative preceding each cash flow summary table highlights the pertinent facts and conclusions related to that scenario.

## FINANCIAL ANALYSIS

### *Scenario 1: Attached Housing-Existing Zoning*

Scenario 1 assumes that the buyer of a Highlands duplex seeks to develop attached housing on the lot under the current R-10 zoning. At a land price of almost \$140,000 per unit<sup>5</sup> and a projected sale price of \$273,000 per unit it is clear that this scenario will not make financial sense. Under this scenario the project costs exceed revenues by \$147,860. Contrast this investment opportunity with continued management of a 1940s era duplex that generates a net income of \$10,000 per year and the reasons for the condition of the Highlands becomes clear. We recognize that under the existing zoning there is no reason to build attached housing. Scenario 1 is presented as for purposes of comparison with Scenario 2.

**Table F3: Redevelopment Scenario 1  
PROGRAM**

Lot Size (SF)	11,136
Residential Units	2
Average Unit Size (Net)	-
Parking Stalls	2
Parking Stalls/Unit	1.0
Net Residential Space	2,800
Net Building Area (SF Inc. Pkg)	3,600

#### **CONSTRUCTION COSTS**

Estimated Land Acquisition Cost	\$278,400
Land Cost/SF	\$25
Land Cost/Unit	\$139,200
Residential Costs (inc. parking)	\$408,880
Per SF (Inc. Pkg)	\$114
Total Project Costs (Inc. Land)	\$687,280
Total Costs/GSF	\$191
Total Costs/Unit	\$343,640

#### **REVENUE**

Residential Revenue	Total
Net Sales Revenue	\$539,420
Per Unit	\$269,710

#### **FINANCING**

Construction	
Total Equity Inc. Land	\$319,288
Interest Rate	6.50%
Max Loan Amt.	\$367,992

<sup>5</sup> As discussed above, Renton City Staff have indicated that it is the 10/DU/Ac. maximum that ultimately limits development capacity, not the 2,000 square foot minimum lot size. After “rounding down” this limit would allow only 2 units on an 11,136-square-foot lot therefore: \$280,000/2=\$140,000.

## FINANCIAL ANALYSIS

### PERFORMANCE

Net Present Value (NPV)	(\$167,153)
Discount Rate	20.00%
Internal Rate of Return (IRR)	-59.74%
Feasible Project?	No

### *Scenario 2: Attached Housing: Prototype Townhouse Zoning*

Scenario 2 assumes that the same developer/investor from Scenario 1 is working under the prototype townhouse zoning described above. The increased density would allow 7 units (rounded down from 7.95) to be built on the 11,136-square-foot lot, reducing the per-unit land acquisition cost to \$40,000. At approximately \$195 per square foot, the 1,400-square-foot units sell for \$273,000 each and generate a net sales revenue of \$1.9 million. After accounting for financing, the project achieves a 27 percent IRR. With the cost of land suitable for townhouses in other parts of King County exceeding \$100,000 per unit, the opportunity presented by the Highlands is very attractive.

**Table F4: Redevelopment Scenario 2  
PROGRAM**

Lot Size (SF)	11,136
Residential Units	7
Average Unit Size (Net)	1,400
Parking Stalls	7
Parking Stalls/Unit	1
Net Residential Space	9,800
Net Building Area (SF Inc. Pkg)	12,600

### CONSTRUCTION COSTS

Estimated Land Acquisition Cost	\$278,400
Land Cost/SF	\$25
Land Cost/Unit	\$39,771
Residential Costs (inc. parking)	\$1,431,080
Per SF (Inc. Pkg)	\$114
Total Project Costs (Inc. Land)	\$1,709,480
Total Costs/GSF	\$136
Total Costs/Unit	\$244,211

### REVENUE

Residential Revenue	Total
Net Sales Revenue	\$1,892,691
Per Unit	\$270,384

## FINANCIAL ANALYSIS

### FINANCING

Construction	
Total Equity Inc. Land	\$421,508
Interest Rate	6.50%
Max Loan Amt.	\$1,287,972

### PERFORMANCE

Net Present Value (NPV)	\$32,838
Discount Rate	20.00%
Internal Rate of Return (IRR)	26.92%
Feasible Project?	Yes

#### *Scenario 3: Detached Housing: Existing Zoning*

Whether it is attached or detached, the density limits in R-10 zoning would limit the owner of the 11,136 lot to just 2 units. Scenario 1 illustrates the difficulty in making redevelopment work for attached units and this Scenario 3 illustrates how the numbers change when the product being built is single-family detached. Assuming a home sale price of \$330,000 or \$150 per foot, the total project costs outweigh revenues leaving it \$234,000 short of meeting return expectations. To make quality detached single-family homes feasible under the existing R-10 zoning, total project costs would have to be significantly reduced (reductions to both land cost and construction costs) and sale prices would need to be in the \$350,000 range (slightly above the average “newer” home price in the City of Renton).

**Table F5: Redevelopment Scenario 3**  
**PROGRAM**

Lot Size (SF)	11,136
Residential Units	2
Average Unit Size (Net)	2,200
Parking Stalls	4
Parking Stalls/Unit	2
Net Residential Space	4,400
Net Building Area (SF Inc. Pkg)	5,800

### CONSTRUCTION COSTS

Estimated Land Acquisition Cost	\$278,400
Land Cost/SF	\$25
Land Cost/Unit	\$139,200
Residential Costs (inc. parking)	\$597,406
Per SF (Inc. Pkg)	\$103
Total Project Costs (Inc. Land)	\$875,806
Total Costs/GSF	\$151
Total Costs/Unit	\$437,903

## FINANCIAL ANALYSIS

### REVENUE

Residential Revenue	Total
Net Sales Revenue	\$652,047
Per Unit	\$326,023

### FINANCING

Construction	
Total Equity Inc. Land	\$386,771
Interest Rate	6.50%
Max Loan Amt.	\$489,035

### PERFORMANCE

Net Present Value (NPV)	(\$234,716)
Discount Rate	20.00%
Internal Rate of Return (IRR)	-82.63%
Feasible Project?	No

#### *Scenario 4: Detached Housing Prototype Zoning, New Assumptions*

Under the prototype zoning standards, the owner of a duplex in the Highlands could conceivably fit three small lot (3,700± square feet) single-family homes on an 11,000-square-foot lot. Under the same cost and sales assumptions as Scenario 3, the addition of an extra unit helps but the project is still more than \$200,000 from being feasible. Scenario 4 illustrates what it would take to make such a project feasible. Three key components would need to change to make the project work: (i) the land cost is reduced to \$200,000; (ii) the home sale prices increase to \$350,000; and (iii) the total project cost is reduced to \$113 per square foot. All three of these major assumption changes are conceivable depending on the attributes of the site (e.g. views), efficiency of the builder (larger builders can often build for less) and circumstances of the property or seller at the time of the sale. Given the choice, most developer/investors would choose townhomes over single-family in this area.

**Table F5: Redevelopment Scenario 4  
PROGRAM**

Lot Size (SF)	11,136
Residential Units	3
Average Unit Size (Net)	2,200
Parking Stalls	6
Parking Stalls/Unit	2
Net Residential Space	6,600
Net Building Area (SF Inc. Pkg)	8,700

## FINANCIAL ANALYSIS

### CONSTRUCTION COSTS

Estimated Land Acquisition Cost	\$200,448
Land Cost/SF	\$18
Land Cost/Unit	\$66,816
Residential Costs (inc. parking)	\$785,285
Per SF (Inc. Pkg)	\$90
Total Project Costs (Inc. Land)	\$985,733
Total Costs/GSF	\$113
Total Costs/Unit	\$328,578

### REVENUE

Residential Revenue	Total
Net Sales Revenue	\$1,036,754
Per Unit	\$345,585

### FINANCING

Construction	
Total Equity Inc. Land	\$278,976
Interest Rate	6.50%
Max Loan Amt.	\$706,756

### PERFORMANCE

Net Present Value (NPV)	(\$15,046)
Discount Rate	20.00%
Internal Rate of Return (IRR)	13.57%
Feasible Project?	Maybe

#### *Scenario 5: Stacked-flat Condominiums*

As discussed in the Residential Market Analysis section of this report, the Highlands is not a stacked-flat condominium market. However, there may be opportunities for stacked-flat condominiums on certain sites within the Highlands that are appropriate for higher density housing. Scenario 5 analyzes the feasibility of a 34-unit, 5-story condo building with one level of underground parking. The 900-square-foot units in this scenario are priced at \$225,000, which is significantly below townhomes that we would consider to be a more desirable product for buyers of new construction in the Highlands. In order to illustrate the differences between higher density for-sale product and the lower density townhomes and single-family homes in the previous scenarios, this scenario holds the land acquisition price constant at \$25 per square foot. Although the condo project achieves an IRR of 8.4 percent, under half of the return expectation of most developers, just a 5 percent increase in the sale price raises the return to 19 percent, indicating that, for the right site, mid-rise condominiums may be a viable product in the Highlands within the next few years.



# FINANCIAL ANALYSIS

**Table F6: Scenario 5**

## PROGRAM

Lot Size (SF)	11,136
Residential Units	34
Average Unit Size (Net)	900
Parking Stalls	48
Parking Stalls/Unit	1.4
Net Ground Floor Retail Space	3,994
Net Residential Space	30,781
Net Building Area (SF)	34,775

## CONSTRUCTION

### COSTS

Estimated Land Acquisition Cost	\$278,400
Land Cost/SF	\$25
Land Cost/Unit	\$8,188
Residential Costs (inc. parking)	\$6,729,989
Per SF (hard only)	\$125
Retail Costs	\$614,195
Per SF (hard only)	\$90
Total Project Costs (Excl. Land)	\$7,344,185
Total Costs/GSF	\$169
Total Costs/Unit	\$216,005

## REVENUE

Residential Revenue	Per/SF	Per Month/ Total
Apartments	\$ -	\$ -
Condos	\$ 250	\$ 225,000
Retail- NNN Lease Rate (SF/Yr.)		\$10
Office- FS Lease Rate (SF/Yr.)		\$15
Net Operating Income (Annual NOI)		\$35,942
Net Sales Revenue		\$7,737,883

## FINANCING

Construction	
Total Equity Inc. Land	\$1,459,749
Interest Rate	6.50%
Max Loan Amt.	\$6,162,836
Permanent (If Applicable)	
Interest Rate	7.00%
Financing Costs	0.50%
Amortization (years)	30

## FINANCIAL ANALYSIS

### PERFORMANCE

Net Present Value (NPV)	(\$314,065)
Discount Rate	20.00%
Internal Rate of Return (IRR)	8.41%
Feasible Project?	Maybe

### *Scenario 6: Stacked-flat Apartments*

Though for-sale housing is the focus of this study, market rate apartments, particularly in mixed-use buildings, could contribute significantly to the revitalization of the area. Though the building envelope is very similar to the condo building described in Scenario 5, there are 6 more units in the apartment building because the average size is slightly smaller. The hard cost per square foot has also been reduced in this scenario from the condo building costs in Scenario 5 to account for the less expensive finishes and exterior enclosure commonly found in mid-rise apartment projects. Much like the condo project in Scenario 5, the apartment project performs marginally compared to other development opportunities; however, with a project IRR of 9 percent, consistent rent growth and management of costs will make apartment projects feasible for some sites.

**Table F7: Scenario 6**

### PROGRAM

Lot Size (SF)	11,136
Residential Units	40
Average Unit Size (Net)	800
Parking Stalls	59
Parking Stalls/Unit	1.5
Net Ground Floor Retail Space	3,994
Net Residential Space	32,705
Net Building Area (SF)	36,699

### CONSTRUCTION

#### COSTS

Estimated Land Acquisition Cost	\$278,400
Land Cost/SF	\$25
Land Cost/Unit	\$6,960
Residential Costs (inc. parking)	\$6,001,810
Per SF (hard only)	\$112
Retail Costs	\$614,195
Per SF (hard only)	\$90
Total Project Costs (Excl. Land)	\$6,616,005
Total Costs/GSF	\$152
Total Costs/Unit	\$165,400

## FINANCIAL ANALYSIS

### REVENUE

Residential Revenue	Per/SF	Per Month/ Total
Apartments	\$ 1.10	\$ 880.00
Condos	\$ -	\$ -
Retail- NNN Lease Rate (SF/Yr.)		\$10
Office- FS Lease Rate (SF/Yr.)		\$15
Net Operating Income (Annual NOI)		\$309,747
Net Sales Revenue		\$0

### FINANCING

Construction	
Total Equity Inc. Land	\$3,602,972
Interest Rate	6.50%
Max Loan Amt.	\$3,291,433
Permanent (If Applicable)	
Interest Rate	7.00%
Financing Costs	0.50%
Amortization (years)	30

### PERFORMANCE

Net Present Value (NPV)	(\$1,653,249)
Discount Rate	20.00%
Internal Rate of Return (IRR)	9.44%
Feasible Project?	Maybe

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## RECOMMENDATIONS

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### Subarea Strategies & Recommendations

1. **Create a new Highlands zoning designation.** When the current R-10 zoning was created, attached housing was discouraged to avoid further concentration of poverty in the Highlands. Townhomes are the next generation's new single-family housing and small infill townhouse projects at a density of 30 units per acre throughout the Highlands will have a major impact on the vitality of the neighborhood.
2. **Actively encourage redevelopment.** The City should consider launching a series of workshops with existing property owners as well as local and regional housing developers to highlight the Highland's potential under a new zoning classification. These workshops will have the dual effect of building support for significant regulatory change and marketing the Highlands as an investment opportunity. The City might also explore methods for bringing interested builders together with landowners to facilitate transactions. Proactive approaches to stakeholder outreach, such as the creation of a preferred builder reference list, an automated for-sale listing notification system and increased direct mailings about new projects are all cost effective methods for attracting new investment.
3. **Utilize legal tools.** The City should utilize all available legal tools to motivate absentee landowners to reinvest or sell. An aggressive building code enforcement campaign and use of the City's condemnation authority for the least desirable properties will increase investment activity and build momentum in the subarea. The City should prepare a plan for addressing tenant relocation.
4. **Partner with the Renton Housing Authority (RHA).** RHA is the single largest residential landowner in the Highlands. Faced with continued cuts in the availability of federal funds for public housing, RHA and the City of Renton should explore creative new structures that achieve both the City's goal of revitalizing the Highlands and RHA's mission of providing affordable housing. The Sunset Terrace property represents a high-profile opportunity to create a catalyst project of the neighborhood and higher quality affordable and market-rate housing.
5. **Continue to work closely with the owners of the Hi-lands Shopping Center.** The City should continue efforts to motivate the owners of the Hi-lands Shopping Center as well as interested retailers and developers to reinvest in the property. In order to become viable over the long-term, the Hi-lands Shopping Center may need to focus on securing tenants that will effectively fulfill the daily needs of neighborhood residents. The City might also further the goal of transforming the Highland Neighborhood by facilitating mid-rise residential development on portions of the shopping center property. This concept should be considered in conjunction with potential redevelopment of The Sunset Terrace.
6. **Consider improvements to public spaces.** In conjunction with the strategies described above, the City should explore opportunities to improve high-impact streetscapes and create public parks that will further the image of the Highlands as a unique destination.

## APPENDIX: RESIDENTIAL MARKET ANALYSIS TABLES

The series of tables that follow provide a comprehensive overview of 2003 and 2004 housing sales in the Highlands submarket (Multiple Listing Service – “MLS” – area 350), the submarkets of the north (MLS area 500), and south (MLS area 340) and, for comparison purposes, King County as a whole. The first two tables contain data for single-family homes and the last two contain sales data for condominiums.

Table R2 combines data for resales and new construction for 2003 and 2004 through the first of December. Though the total number of transactions has increased by just 1 percent over 2003 levels in the Highlands submarket, the median price has increased by 13 percent, more than King County (11 percent) and adjacent submarkets (8.3 and 7.9 percent, respectively). The 2004 median home price in the Highlands submarket is approximately \$297,000, which is 92 percent of the King County median. The median home price in the Eastside/South submarket, which includes affluent portions of Bellevue and Issaquah to the north and east, costs almost \$150,000 more than the Highlands. The median home price in the Renton/Benson Hill submarket to the south of the Highlands is \$54,000 less than the Highlands. Combined, these three submarkets contained approximately 12 percent of King County’s single-family home transactions in the first 11 months of 2004.

### RESIDENTIAL MARKET ANALYSIS

#### King County Housing Trends

The table below provides a statistical overview of the King County housing market from the first quarter of 2003 through the second quarter of 2004. The median sales price of a single-family home increased from \$280,000 at the beginning of 2003 to approximately \$322,000 in the second quarter of 2004; a 25 percent increase. The volume of resales in the county, largely driven by concerns about rising interest rates, has reached record levels with the second quarter of 2004 (typically the highest volume quarter of the year) 17 percent higher than the same quarter in 2003.

**Table R1: King County Housing Sales Summary: 1<sup>st</sup> Quarter 2003-2<sup>nd</sup> Quarter 2004**

Qtr.	Home Resales	% Chg. (1 Yr.)	Bldg. Permits (units)	% Chg. (1 Yr.)	Median Price	% Chg. (1 Yr.)
Q2 04	13,450	16.9%	2,751	-2.6%	\$322K	11.0%
Q1 04	8,820	1.9%	2,455	19.3%	\$302K	8.0%
Q4 03	11,910	24.8%	1,756	-19.0%	\$299K	7.6%
Q3 03	13,060	36.1%	3,383	57.4%	\$300K	6.0%
Q2 03	11,500	16.3%	2,823	-18.0%	\$290K	2.7%
Q1 03	8,660	14.1%	2,057	11.2%	\$280K	6.5%

## APPENDIX: RESIDENTIAL MARKET ANALYSIS TABLES

**Table R2: Single-Family Residential Home Sales – Resales and New Construction**

MLS Submarket	Units			Median Sale Price		
	2003 YTD	2004 YTD	% Change	2003 YTD	2004 YTD	% Change
500 – Eastside/South	1,202	1,320	9.8%	\$415,000	\$449,250	8.3%
350 – Renton/Highlands	1,050	1,061	1.0%	\$262,975	\$297,450	13.1%
340 – Renton/Benson Hill	909	1,148	26.3%	\$224,950	\$242,750	7.9%
King County	26,620	28,519	7.1%	\$290,500	\$322,000	10.8%

Table R3 breaks new construction out of the sales data contained in Table R2. Approximately 11 percent fewer new single-family homes have been sold within the Highlands in 2004 compared to 2003 which, when combined with record low mortgage rates, has increased the median home price by almost 17 percent to \$350,000. New homes in the Highlands are selling for just under the median price of new single-family homes in King County (\$355,000). Much like resales, the median price of a new home in the Renton/Benson Hill submarket is 12 percent less than the Highlands. Combined, these three submarkets contained approximately 20 percent on King County's new single-family home transactions in the first 11 months of 2004.

**Table R3: Single-Family Residential Home Sales – New Construction Only**

MLS Submarket	Units			Median Sale Price		
	2003 YTD	2004 YTD	% Change	2003 YTD	2004 YTD	% Change
500 – Eastside/South	183	218	19.1%	\$535,000	\$551,000	3.0%
350 – Renton/Highlands	289	256	-11.4%	\$299,950	\$350,450	16.8%
340 – Renton/Benson Hill	140	317	126.4%	\$279,171	\$308,000	10.3%
King County	3,459	4,099	18.5%	\$332,000	\$355,083	7.0%

The Northwest Multiple Listing Service (MLS) typically classifies stacked-flats as condominiums and townhomes as single-family residences; however, some townhouse projects are developed as condominiums and would therefore be included in the statistics below. While the number of condominiums sales increase by 16 percent in King County and sale prices increased by 8 percent, the Highlands submarket and the Eastside/South submarket saw median prices drop by 9 percent and 3.5 percent, respectively. Considering the low sales volumes, some of this could be explained by a project being built with a lower price point, however, since this data includes resales, the likely cause for the price decrease is competition from other parts of the metropolitan region.

## APPENDIX: RESIDENTIAL MARKET ANALYSIS TABLES

**Table R4: Condominium Sales – Resales and New Construction**

MLS Submarket	Units			Median Sale Price		
	2003 YTD	2004 YTD	% Change	2003 YTD	2004 YTD	% Change
500 – Eastside/South	328	395	20.4%	\$199,997	\$192,950	-3.5%
350 – Renton/Highlands	140	150	7.1%	\$142,000	\$129,000	-9.8%
340 – Renton/Benson Hill	140	317	126.4%	\$158,000	\$169,970	7.6%
King County	7,236	8,372	15.7%	\$185,000	\$199,950	8.1%

From 2003 to 2004, the number of new stacked-flat condominium sales in King County remained fairly flat and prices increased by approximately 5 percent. Historically, the Highlands submarket has been seen as an “Eastside” location to find affordable single-family housing. As prices for these single-family homes (new and resales) continue to rise, stacked-flat condominiums will fulfill a larger part of the entry-level home market (homes priced at or below \$250,000). Lack of suitable development sites zoned for stacked-flats will have a limiting effect on stacked-flat condominium production in the Eastside/South submarkets over the long-term.

**Table R5: Stacked-flat Condominium Sales – New Construction Only**

MLS Submarket	Units			Median Sale Price		
	2003 YTD	2004 YTD	% Change	2003 YTD	2004 YTD	% Change
500 – Eastside/South	44	42	-4.5%	\$307,000	\$278,245	-9.4%
350 – Renton/Highlands	11	6	-45.5%	\$185,000	\$160,375	-13.3%
340 – Renton/Benson Hill	95	112	17.9%	\$186,990	\$205,200	9.7%
King County	1,369	1,374	0.4%	\$231,200	\$242,164	4.7%

### Study Area Housing Market Dynamics

The following section focuses specifically on the Study Area<sup>6</sup> and compares various housing attributes to other geographic divisions in order to develop a comprehensive understanding of the most important market dynamics.

#### *Single Family Home Sale by Year*

Tables R6 and R7 below illustrate several key attributes of housing in the Study Area: (i) it is comparatively inexpensive; and (ii) prices have increased dramatically over the last three years. The median price of a single-family home (regardless of year built) within the City of Renton in

<sup>6</sup> For the purposes of collecting sales data for the Study Area, the Study Area is defined as one-half mile radius around the Hi-lands Shopping Center.

## APPENDIX: RESIDENTIAL MARKET ANALYSIS TABLES

2004 is \$285,000 while the median price within the Study Area was \$233,000 or 22 percent less. Moreover, the median home price within the Study Area is approximately 72 percent of the median home price in King County overall. The median home price within the Study Area increased by 34 percent between 2001 and 2004 while prices in the City of Renton overall increase by approximately 27 percent.

**Table R6: Study Area Single-Family Residential Home Sales**

	Total Transactions	Avg. Beds/Baths	Average SF/ Median SF	Average Sale Price/Median Sale Price	Median No. of Days on Market (DOM)
<b>2001</b>	46	3/1.43	1,515/ 1,425	\$186K/ \$176K	27
<b>2002</b>	95	3/1.6	1,630/ 1,430	\$201K/ \$181K	23
<b>2003</b>	100	3/1.75	1,616/ 1,560	\$216K/ \$206K	40
<b>2004 YTD</b>	85	3/1.75	1,801/ 1,616	\$260K/ \$233K	33

Note: Study Area defined as one-half mile radius around Hi-lands Shopping Center

**Table R7: City of Renton Single-Family Residential Home Sales**

	Total Transactions	Avg. Beds/Baths	Average SF/ Median SF	Average Sale Price/Median Sale Price	Median No. of Days on Market (DOM)
<b>2001</b>	1139	3/2.06	2,002/ 1,900	\$246K/ \$225K	23
<b>2002</b>	1656	3/2.11	2,055/ 1,982	\$254K/ \$240K	34
<b>2003</b>	2150	3/2.15	2,123/ 1,984	\$275K/ \$256K	39
<b>2004 YTD</b>	1804	4/2.24	2,172/ 2,080	\$314K/ \$285K	35

### *Single-Family and Multi-Family Sales by Year Built*

The Study Area, like so many inner-ring suburban neighborhoods, contains a variety of housing styles and vintages that are in various stages of appreciation, renovation and decline. As this study is intended to support strategies to affect changes in the housing stock within the Study Area, it is important to fully understand the market values associated with the different categories of building stock. As shown in Table R10 below, approximately 41 percent of the existing single-family homes within the Study Area boundary were built before 1950. Another 43 percent were built between 1951 and 1970. The section below analyzes sales data for the last four years by year built for both single-family and multi-family<sup>7</sup> structures.

**Table R10: Study Area Housing Stock Attributes by Year Built**

	Total Number of Homes	Percent of Total	Average Lot Size	Average Beds/Baths	Average SF/ Median SF
Pre 1950	299	41%	11,933 sf.	3.7/1.5	1,394/1,440
1951-1970	308	43%	9,211 sf.	3.3/1.5	1,609/1,460
1971-1990	59	8%	9,987 sf.	3.4/2.25	1,825/1,710
1991-Present	46	6%	6,879 sf.	3.4/2.25	1,892/1,940

Source: City of Renton

<sup>7</sup> These are self classified by the listing agents and are mostly duplexes.



## APPENDIX: RESIDENTIAL MARKET ANALYSIS TABLES

### *Pre 1950 Single-Family*

The median sales price of a single-family house built before 1950 within the one-half mile Study Area has increased by 18 percent over the last three years as compared to 34 percent for all single-family housing stock in the Highlands submarket. In 2004, homes of this vintage sold for \$186,475 or 25 percent less than the median home price of all homes within the one-half mile Study Area. Expanding to the one-mile Study Area almost doubles the number of transactions by year but only slightly increases the average and median sale prices indicating a generally consistent condition of the housing stock from this era.

**Table R11: Single-Family Home Sales – Pre 1950 One-Half Mile Radius**

	<b>Total Transactions</b>	<b>Avg. Beds/Baths</b>	<b>Average SF/ Median SF</b>	<b>Average Sale Price/Median Sale Price</b>	<b>Median No. of Days on Market (DOM)</b>
<b>2001</b>	20	3/1.26	1,371/1,260	\$159,000/ \$158,450	26
<b>2002</b>	32	3/1.19	1,412/1,032	\$164,613/ \$159,500	19
<b>2003</b>	26	3/1.24	1,193/1,055	\$172,076/ \$172,695	42
<b>2004</b>	30	3/1.16	1,257/1,040	\$191,121/ \$186,475	17

Note: Study Area is defined as one-half mile radius around the Hi-lands Shopping Center

**Table R12: Single-Family Home Sales – Pre 1950 One-Mile Radius**

	<b>Total Transactions</b>	<b>Avg. Beds/Baths</b>	<b>Average SF/ Median SF</b>	<b>Average Sale Price/Median Sale Price</b>	<b>Median No. of Days on Market (DOM)</b>
<b>2001</b>	33	3/1.24	1,257/1,050	\$160,248/ \$157,100	27
<b>2002</b>	56	3/1.24	1,382/1,150	\$168,151/ \$159,925	22
<b>2003</b>	58	3/1.25	1,245/1,100	\$178,502/ \$178,750	42
<b>2004</b>	52	3/1.16	1,273/1,065	\$195,383/ \$189,900	21

Note: Study Area is defined as one-mile radius around the Hi-lands Shopping Center

### *Pre 1950 Multi-Family*

The MLS data illustrates the depressed value of duplexes within the Study Area. In 2004, the median mutli-family property sold for just \$20,000 more than a single-family home of a similar vintage. In 2001, single-family homes actually sold for more than duplexes, a further indication of the dilapidated condition of the building stock. Duplexes in good condition typically sell for significantly more than single-family homes. Expanding the Study Area to a one-mile radius increases the number of transactions but does not significantly change the sales prices.

## APPENDIX: RESIDENTIAL MARKET ANALYSIS TABLES

**Table R13: Multi-Family Sales – Pre 1950 One-Half Mile Radius**

	<b>Total Transactions</b>	<b>Avg. Sales Price/ Median Sales Price</b>	<b>Median # of Days on Market</b>
<b>2001</b>	4	\$148,713/\$140,000	39
<b>2002</b>	11	\$169,309/\$184,000	28
<b>2003</b>	3	\$212,983/\$212,000	59
<b>2004</b>	5	\$212,490/\$210,000	17

Note: Study Area is defined as one-half mile radius around Hi-lands Shopping Center

**Table R14: Multi-Family Sales – Pre 1950 One Mile Radius**

	<b>Total Transactions</b>	<b>Avg. Sales Price/ Median Sales Price</b>	<b>Median # of Days on Market</b>
<b>2001</b>	4	\$148,713/\$140,000	39
<b>2002</b>	14	\$170,739/\$179,500	20
<b>2003</b>	4	\$208,488/\$204,475	40
<b>2004</b>	9	\$208,217/\$210,000	17

Note: Study Area is defined as one- mile radius around Hi-lands Shopping Center

### *Single-Family Built from 1951 to 1970*

As indicated in Table R10, homes built between 1951 and 1970 constitute approximately 43 percent of the housing within the Study Area. The median sale price of a house of this vintage increased by approximately 21 percent over the last four years as compared to 34 percent for all single-family housing stock in the Highlands submarket. Expanding to the one-mile Study Area generally triples the number of transactions per year and further supports a 2004 median sale price range between \$218,000 and \$226,000. This sale price range is 8 to 10 percent higher than homes built before 1950.

**Table R15: Single-Family Home Sales – Built 1951-1970 One-Half Mile Radius**

	<b>Total Transactions</b>	<b>Avg. Beds/Baths</b>	<b>Average SF/ Median SF</b>	<b>Average Sale Price/Median Sale Price</b>	<b>Median No. of Days on Market (DOM)</b>
<b>2001</b>	23	3/1.34	1,431/1,350	\$184,498/ \$184,500	15
<b>2002</b>	31	3/1.49	1,512/1,390	\$198,268/ \$199,950	29
<b>2003</b>	31	3/1.41	1,565/1,380	\$205,945/ \$203,500	45
<b>2004</b>	27	3/1.56	1,469/1,330	\$221,989/ \$226,000	28

Note: Study Area is defined as one-half mile radius around the Hi-lands Shopping Center

## APPENDIX: RESIDENTIAL MARKET ANALYSIS TABLES

**Table R16: Single-Family Home Sales – Built 1951-1970 One-Mile Radius**

	<b>Total Transactions</b>	<b>Avg. Beds/Baths</b>	<b>Average SF/ Median SF</b>	<b>Average Sale Price/Median Sale Price</b>	<b>Median No. of Days on Market (DOM)</b>
<b>2001</b>	77	3/1.35	1,408/1,250	\$181,932/ \$180,000	18
<b>2002</b>	89	3/1.38	1,390/1,210	187,009/ \$184,450	27
<b>2003</b>	100	3/1.44	1,487/1,295	\$205,881/ \$203,250 \$204,275	34
<b>2004</b>	96	3/1.47	1,400/1,250	\$217,990/ \$218,950	27

Note: Study Area is defined as one-mile radius around the Hi-lands Shopping Center

### *Multi-Family Built from 1951 to 1970*

Though there are too few transactions in this category to support a specific estimate of value, one can conclude that there are fewer duplexes from this era within the Study Area and that they are generally selling for substantially more than those built before 1950.

**Table R17: Multi-Family Sales – Built 1951-1970 One-Half Mile Radius**

	<b>Total Transactions</b>	<b>Avg. Sales Price/ Median Sales Price</b>	<b>Median # of Days on Market</b>
<b>2001</b>	2	\$687,250/\$687,250	32
<b>2002</b>	1	\$262,000/\$262,000	74
<b>2003</b>	1	\$274,000/\$274,000	21
<b>2004</b>	1	\$386,500/\$386,500	33

Note: Study Area is defined as one-half mile radius around Hi-lands Shopping Center

**Table R18: Multi-Family Sales – Built 1951-1970 One-Mile Radius**

	<b>Total Transactions</b>	<b>Avg. Sales Price/ Median Sales Price</b>	<b>Median # of Days on Market</b>
<b>2001</b>	4	\$433,125/\$198,750	33
<b>2002</b>	1	\$262,000/\$262,000	74
<b>2003</b>	1	\$274,000/\$274,000	21
<b>2004</b>	1	\$386,500/\$386,500	33

Note: Study Area is defined as one-mile radius around Hi-lands Shopping Center

## APPENDIX: RESIDENTIAL MARKET ANALYSIS TABLES

### *Single-Family Built from 1971 to 1990*

The median sale price of a single-family house built between 1971 and 1990 within the Study Area has increased by 18 percent over the last 3 years as compared to 34 percent for all single-family housing stock in the Highlands submarket. While the sales data is severely limited within the one-half mile Study Area, a similar range is found within the one-mile Study Area transactions.

**Table R19: Single-Family Sales – Built 1971-1990 One-Half Mile Radius**

	<b>Total Transactions</b>	<b>Average Beds/Baths</b>	<b>Average SF/ Median SF</b>	<b>Avg. Sales Price/Median Sales Price</b>	<b>Median # of Days on Market</b>
<b>2001</b>	0	N/A	N/A	N/A	N/A
<b>2002</b>	5	4/2.15	2,053/1,750	\$226,010/ \$221,000	34
<b>2003</b>	3	3/2.25	1,773/1,600	\$246,950/ \$245,000	41
<b>2004</b>	1	3/1.75	1,490/1,490	\$259,950/ \$259,950	8

Note: Study Area is defined as one-half mile radius around Hi-lands Shopping Center

**Table R20: Single-Family Sales – Built 1971-1990 One-Mile Radius**

	<b>Total Transactions</b>	<b>Average Beds/Baths</b>	<b>Average SF/ Median SF</b>	<b>Avg. Sales Price/Median Sales Price</b>	<b>Median # of Days on Market</b>
<b>2001</b>	24	3/1.85	1,695/1,210	\$210,527/ \$211,975	14
<b>2002</b>	33	3/2.15	1,842/1,810	\$230,812/ \$237,500	22
<b>2003</b>	29	3/2.19	1,823/1,629	\$252,834/ \$249,500	40
<b>2004</b>	22	3/2.09	1,872/1,485	\$254,908/ \$250,950	25

Note: Study Area is defined as one-mile radius around Hi-lands Shopping Center

### *Multi-Family Built from 1971 to 1990*

There were only two transactions over the last 4 years involving duplexes built between 1971 and 1990. Both transactions occurred in 2002 and had a median price of \$322,000. The lack of transactions is a function of the available building stock.

### *Single-Family Built from 1991 to 2004*

The median 2004 sale price of a single-family home built over the last 13 years within the one-half mile Study Area is \$269,000. Within a one-mile radius the median increases by 26 percent to \$340,000. Over the last 4 years, the gap between the average and median sale prices has

## APPENDIX: RESIDENTIAL MARKET ANALYSIS TABLES

increased substantially; peaking in 2004 at \$70,000. The widening gap is an indication that there are a smaller number of significantly higher priced homes within the dataset skewing the average upward. This was not the case in previous years. The average 2004 sale price within the one-mile Study Area is almost \$360,000.

**Table R21: Single-Family Sales – Built 1991-2004 One-Half Mile Radius**

	<b>Total Transactions</b>	<b>Average Beds/Baths</b>	<b>Average SF/ Median SF</b>	<b>Avg. Sales Price/Median Sales Price</b>	<b>Median # of Days on Market</b>
<b>2001</b>	6	4/2.25	1,948/1,630	\$258,608/ \$238,975	35
<b>2002</b>	16	4/2.52	2,482/2,434	\$295,420/ \$293,475	6
<b>2003</b>	28	3/2.55	2,017/1,705	\$261,888/ \$247,848	29
<b>2004</b>	27	3/2.48	2,296/2,144	\$329,742/ \$269,900	92

Note: Study Area is defined as one-half mile radius around Hi-lands Shopping Center

**Table R22: Single-Family Sales – Built 1991-2004 One-Mile Radius**

	<b>Total Transactions</b>	<b>Average Beds/Baths</b>	<b>Average SF/ Median SF</b>	<b>Avg. Sales Price/Median Sales Price</b>	<b>Median # of Days on Market</b>
<b>2001</b>	101	4/2.50	2,324/2,165	\$334,290/ \$289,950	29
<b>2002</b>	152	4/2.60	2,350/2,273	\$312,626/ \$289,965	48
<b>2003</b>	172	4/2.55	2,251/2,097	\$313,330/ \$280,000	64
<b>2004</b>	158	4/2.54	2,439/2,425	\$358,768/ \$339,970	61

Note: Study Area is defined as one-mile radius around Hi-lands Shopping Center

### *Multi-Family Built from 1991 to 2004*

No multi-family properties built between 1991 and 2004 were sold between 2000 and 2004.

### *Newer Single-Family Home Sales Summary*

The table below provides a summary comparison of newer single-family home sales within the one-half mile Study Area, the Highlands submarket (MLS 350) and the City of Renton. Newer single-family homes within the Study Area sell for approximately 15 percent less than the median in Renton and the Highlands. Per-square-foot sale prices for newer homes in all three geographic areas range from \$133 to \$138. On average, newer homes within the Study Area are 300 square feet smaller than the Renton average; therefore, sale prices are generally \$40,000 less.

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**Table R23: Single-Family Home Sales 2000-2004 – Homes Built Since 2000**

	<b>Total Transactions</b>	<b>Average Beds/Baths</b>	<b>Average SF/ Median SF</b>	<b>Average Sale Price/Median Sale Price</b>	<b>Average Sale Price Per SF</b>	<b>Days on Market (DOM)</b>
<b>Study Area</b>	90	3/2.5	2,251/ 2,128	\$299K /\$273K	\$133	36
<b>Highlands Submarket</b>	1123	4/2.54	2,489/ 2,370	\$344K/ \$312K	\$138	69
<b>City of Renton</b>	1948	4/2.56	2,470/ 2,346	\$340K /\$310K	\$137	67

Note: Study Area defined as one-half mile radius around Hi-lands Shopping Center

### Townhomes

In many ways, the townhome serves as a transitional product between single-family residential and stacked-flat condominiums. The higher density and smaller unit sizes reduce the overall cost to the buyer much like a stacked-flat condominium, while the ground-related and multi-level nature of the unit feels less like an apartment and more like a single-family house. In Seattle and parts of the Eastside, townhomes are increasingly becoming the only new construction product within reach of most households. Table R25 summarizes the sale price and size of newer townhomes in the Southeast/Eastside submarkets. The median price for a newer townhome in this area has been approximately \$256,000 or roughly \$50,000 to \$70,000 less than single-family homes of a similar age. Note the difference in per-square-foot sale prices between newer single-family homes (Table R24) and townhomes. At costs of almost \$30 more per square foot for a townhome, buyers are, in fact, paying proportionally more for their living space. The higher price reflects the slightly higher construction cost associated with townhomes which involve more stairs, adjoining walls, and frequently more expensive parking configurations.

**Table R24: Townhome Sales – Built and Sold in 2000 or After**

	<b>Average Beds/Baths</b>	<b>Unit Size</b>	<b>Sale Price</b>	<b>Est. Sale Price Per Square Foot</b>
<b>Average</b>	3/2.52	1,588	\$270,000	\$170
<b>Median</b>	N/A	1,571	\$256,000	\$162

Source: NWMLS 2004, Renton Highlands (350), Eastside/South (500) & Renton/Benson (340)

Demographic studies indicate that, depending on their location, townhomes appeal primarily to professional singles, young couples and empty-nesters. Couples may become small families while living in a townhouse but before too long most will move to a single-family house to raise their children. Many expect the cultural paradigm that says children need to be raised in a single-family house to change over the next decade, but, in today's market, builders must target a non-child-rearing demographic.

Table R26 details the characteristics of townhome projects that are currently (or soon will be) selling units within the Highlands and adjacent submarkets. One of the most noteworthy aspects of this data is the limited supply within the Highlands and Submarket 500 to the north. Larger projects (the types that are most closely tracked by NewHomeTrends and others) require larger

## APPENDIX: RESIDENTIAL MARKET ANALYSIS TABLES

greenfield sites. Outside of the master-planned communities such as Talus and Issaquah Highlands, these sites are becoming more and more scarce on the central and even southern “Eastside” pushing larger projects into Submarket 340, Kent and Auburn. Collectively, the three submarkets below will likely absorb more than 200 townhomes in 2004. On a project level, absorption rates vary widely from .7 sales per month to more than 8 sales per month. Typically, larger projects with larger marketing budgets will have significantly higher rates of absorption while smaller projects will sell from 1 to 3 units per month.

**Table R25: New Townhome Characteristics by Submarket**  
(Actively Selling and Recently Soldout Projects)

MLS Market/ Project Name	Total Price Range	Total SF Range	Total Price/SF Range	Total Units Planned	Total Unsold	Avg. Monthly Sales
350 - Renton/Highlands						
Cobblestone 469 Tacoma Avenue NE	\$230K/ \$292K	1,440/ 1,905	\$135/\$168	66	14	5.78
Union Village Homes NE 3 <sup>rd</sup> Ct. at Union Avenue	\$216K/ \$255K	1,414/ 1,612	\$152/\$170	20	0	3.17
500 - Eastside/South						
Talus: Ascent Shangrila Way @ NW Pebble Lane	\$227K/ \$390K	1,185/ 2,313	\$158/\$262	114	6	4
340 - Renton/Benson Hill						
Sunny Brook 3721 Mill Avenue S	Not Yet Selling			44		
Belgrove @ Renton 18923 108 <sup>th</sup> Ln SE	\$198K/ \$270K	1,204/ 1,770	\$138/\$187	64	9	4.6
Campan Springs 4900 Talbot Rd S	\$159K/ \$288K	1,360/ 1,800	\$96/\$191	146	38	7.2
Jerry's Place SE 240 <sup>th</sup> Way & 137 <sup>th</sup> Ave. SE	\$226K/ \$240K	1,875/ 1,875	\$122/\$128	14	0	0.7
River Valley (Poly) 15325 SE 155 <sup>th</sup> Pl.	\$215K/ \$271K	1,150/ 1,600	\$169/\$187	153	49	8

Source: NewHomeTrends Renton Highlands (350), Eastside/South (500) and Renton/Benson (340)